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Nonprofit Ethics Case

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NPA 601: Nonprofit Ethical Leadership

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1. Title

Voldemort's money: Donations from "He Who Must Not be Named."

2. Summary

This case study reviews the unethical practices of Joi Ito, the director of the MIT Media Lab, as he accepted and sought donations from Jeffrey Epstein, the financier and convicted sex offender, who was on the blacklist at MIT's donor database. Ito concealed the lab's relationship with Epstein and refused to report the real numbers to the university and the public. When the whistle-blower revealed the evidence and published in the magazine, Ito resigned from all positions at MIT. In response to the scandal, Rafael Reif, the president of MIT, apologized of such oversight and announced that the MIT's General Counsel would work with the outside law firm to investigate this case.¹

3. Applications

Unethical Leader: Tainted money is one of the ethical dilemmas that nonprofit leaders will face. This case fell into the ethical area, but it was far from being a dilemma for Joi Ito. He was fully aware of Epstein's conviction and that it went against the values of the lab, and yet, under his leadership, he opened the door for sources of unjust money to be donated and solicited by Epstein to fund the projects. His broken ethical compass led him to his 'end-justifies-the-means' approach, and it damaged the reputation of the institute. "You know, he's really

fascinating. Would you like to meet him?”² was Ito’s response when one of the lab employees voiced concern over this concealed relationship between the lab and Epstein.

Moreover, Ito did not have the integrity required as a leader. Despite knowing that Epstein was listed as a disqualified donor for MIT, he did not comply with the rules and went around it by requiring his employees to mark all donations related to Epstein as anonymous. He created an environment where some staff was uncomfortable to work. When he was cautioned, he bent the truth about Epstein. When Epstein was arrested, he hid the numbers and denied the relationship he had with Epstein. He made excuses and even asked colleagues to support him. These were the worst examples you could ask for from your leader.

Fundraising Practices: This case demonstrates that ethical guidelines do not always align with real-world practices in fundraising. In an interview after coming out as a whistle-blower, Signe Swenson, a former development associate at the MIT Media Lab, said that she and her peers tried to raise the issue of Epstein being a donor with their supervisors, but the efforts fell on deaf ears. She also mentioned that fundraising professionals got promoted because of a strong track record with donors.³ It implies that securing the money from the top donors comes above everything else, as both for one’s interest in climbing the career ladder and for the organization’s interest in funding the programs. Swenson even took this “dream job” at the Media Lab herself, knowing that she would have to cover up Epstein’s donations.

Donation Transparency: Once the senior members at the MIT found out that the Media lab had been receiving the money from Epstein, they had done so little in assessment but to trust in Ito’s false claim that Epstein had stopped the criminal behavior. They allowed Ito to keep the money and only made sure that Epstein did not use it to enhance his reputation by naming it as anonymous.⁴ This action proved that they were not proud of every donor, but still chose not to walk away and made it obscure. Given the authority and opportunity to prevent potential damage, they certainly failed to do so, and the cost was high.

Donor Influence: To Ito and Media Lab, Epstein might be considered as a major donor and a pathway to more donations from his high-profile networks. Hence, Ito treated Epstein special and allowed Epstein’s presence on the campus to give inputs on projects. This practice of courting major donors by allowing them to interfere with operations could risk putting the organization in a mission’s creep and derailed from its main missions.

4. Outcomes

1) Even if it is not legally wrong to accept money from certain individuals or foundations does not mean that it is not ethically wrong. Accepting money from these individuals or organizations may seem harmless but can ultimately be to one’s detriment.

2) When such questionable donations come to a spotlight, organizations face a difficult situation where responses to both public and internal communities have to be carefully measured to restore a long-built trust and reputation, if it was possible. Once the damage was done, as MIT’s president said it himself, “no apology can undo that.”

3) One way to avoid that situation is to prevent it from happening by installing preventive measures at various points. It could start from screening for leaders with integrity, not just

achievement record, and solid policies to support whistle-blowers in case of the former attempt failed.

5. Video

MSNBC: Top MIT Official Resigns Over Epstein Donations Scandal.

Retrieved from <https://www.youtube.com/watch?v=6jhSeDxWQeI>

WGBH News: The MIT-Epstein Story Spurs A Debate About Dirty Money In Philanthropy.

Retrieved from <https://www.youtube.com/watch?v=Hrnd4dm6eew&feature=youtu.be>

6. Description

Jeffrey Epstein was an American financier and convicted sex offender who socialized with a range of high-profile and influential billionaires. He pleaded guilty and was convicted in 2008, serving 13 months in custody with extensive work release. Then, he was arrested again in July 2019 on federal charges for sex trafficking of minors in Florida and New York. One month later, he committed suicide in his jail cell.

During his time, Epstein made donations to many philanthropic, political, and academic institutions. He managed to hide behind his reputation elevated by his relationships with these elite institutes and use it to distract from his crimes. After the news first broke out publicly in 2006 that Epstein sexually abused underaged girls, many institutions attempted to pull away from him.

However, that was not the case for the MIT Media Lab under the lead of Joi Ito as director. Epstein was listed as a disqualified donor in the MIT's official database, but Ito continued to accept his money and used his contacts to tap other wealthy donors, including Bill Gates and Leon Black, without disclosing the whole extent to either the public nor the university. Ito and his tight circle in the director's office made sure that Epstein's name was marked as "anonymous" from all donations and solicitations associated with him in the mandatory records of gifts that were filed within the university. Some staff even referred to Epstein as "Voldemort" or "he who must not be named."

Many staff members voiced their concerns to Ito about the lab's relationship with Epstein as they believed that it violated the lab's values and could have negative consequences. Ito and Peter Cohen, the lab's director of development and strategy, were aware of Epstein's history, but they insisted on "doing it anyway" to fund the projects. The discomfort among lab staff hit the roof when Ito allowed Epstein, accompanied by 2 young Eastern European female models who might be the victims of trafficking, to visit the lab in 2015 and discuss future plans with the funds Epstein helped raise.

After Epstein was arrested in July 2019, Ito came out to make half-truth public statements about the lab's relationship with Epstein by not revealing the full numbers and downplaying his closeness with Epstein. Several lab employees could not stand this deception any longer resigned in protest. Signe Swenson, a former development associate at the MIT Media Lab, stepped up and reached out to the Whistle-blower Aid. Then, she gave an interview to Ronan Farrow, a writer at The New Yorker, to expose the emails of close conversations between the

lab's leaders and Epstein. This led to Ito resigning from all positions with MIT and is now being under investigation.

Rafael Reif, the president of MIT, acted swiftly after the story was published and communicated to the MIT community that an outside law firm was conducting a fact-finding for this case to ensure transparency. He admitted that there were flaws in the process of gift approval but promised to improve and prevent such mistakes in the future. He also pledged to make amends by donating funds to relevant charities to help the victims of sexual abuse.

7. Questions

1) Should the portrayal of Swenson as “brave” in whistleblowing after Epstein was arrested be challenged? Does her act justify her past work at the Media Lab for violating her professional ethics?

2) Do you see changes in the nature of funding of prestigious institutions to change anytime in the near future? How or how not?

3) Should the money that Epstein donated be given to charity?

4) According to Swenson's interview, there was a lot of female staff at the support level but not at the leadership level. As Epstein's convict was sex-related, would the course of action change if there were more females in the top level at Media Lab?

8. Resources

<http://news.mit.edu/2019/remarks-president-reif-institute-faculty-meeting-0918>

<https://www.media.mit.edu/>

https://en.wikipedia.org/wiki/Joi_Ito

<http://www.jeffreyepstein.org>

<https://www.epsteinglobal.com/company/foundation>

https://en.wikipedia.org/wiki/Jeffrey_Epstein

https://www.huffpost.com/entry/jeffrey-epstein-timeline_n_5d2763c8e4b02a5a5d57857f

<https://www.philanthropy.com/article/MIT-Scandal-Exposes-a-Crisis/247119>

9. Endnotes

¹ <http://news.mit.edu/2019/letter-media-lab-action-0907>

² <https://www.newyorker.com/news/news-desk/how-an-elite-university-research-center-concealed-its-relationship-with-jeffrey-epstein>

³ <https://www.philanthropy.com/article/Whistle-Blower-Tells-the/247113>

⁴ <http://news.mit.edu/2019/letter-preliminary-facts-0912>